

Planning for Economic and Fiscal Health

Christopher Zimmerman

Vice-president for Economic Development

Manhattan, Kansas

January 26, 2017



Smart Growth America
Making Neighborhoods Great Together



Traditional town plan

- Mixed-use
- Compact
- Buildings of several stories
- Blocks with multiple building types
- Street grid

“Modern” town plan

America in the late 20th century





Traditional neighborhood street



“Modern” neighborhood street



Traditional commercial street



“Modern” commercial street





24
HOUR

FITNESS

POINT LON
CARDIAC
TO EXERCISE
LOCATED
24 HOURS

The 20th century model for economic development

- Tax breaks
- Highways



We built highways, expanded them . . .

Lovell Road and I-40 40 years ago



... and economic development followed.

Lovell Road and I-40 40 years ago and today



What's happening now?

The economy is changing
and with it, the formula for economic development



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28th Annual Survey of Corporate Executives: Availability of Skilled Labor New Top Priority

The results of our survey show a modest improvement in short-range new facility and expansion plans, as well as a realignment of site selection priorities with the availability of skilled labor being the number one concern, outranking highway accessibility and labor costs.

*This year, the
highway
accessibility and
labor costs factors
were outranked by
the availability of
skilled labor.*

To move its HQ to Chicago, ConAgra settled for less than half the \$28.5M in incentives that Nebraska was willing to offer

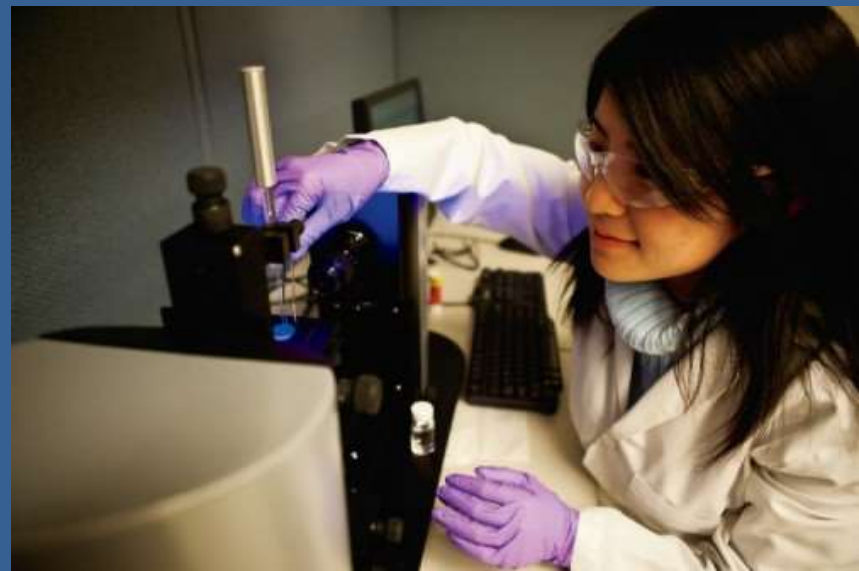
By Barbara Soderlin / World-Herald staff writer Sep 27, 2016 (5)



Economic growth

20th century **vs.** 21st century

- Manufacturing economy **vs.** Knowledge economy
- Chasing smokestacks **vs.** Chasing talent



The 21st Century Economy

- Creativity, knowledge, innovation
- Importance of networking, interaction
- Demand for skilled workers

“A region’s most important source of competitive advantage is its workforce. . . it’s the pool of talent that attract firms, particularly in the knowledge economy.”

-- Ania Ania Wieckowski,
Harvard Business Review, May 2010

“Talent is replacing the tax incentive as the No. 1 economic-development tool in America.”

Mark Wilson, president and CEO
Florida Chamber of Commerce

Quoted in Palm Beach *Post*,
June 9, 2016

Demographic Change

20th century **vs.** 21st century

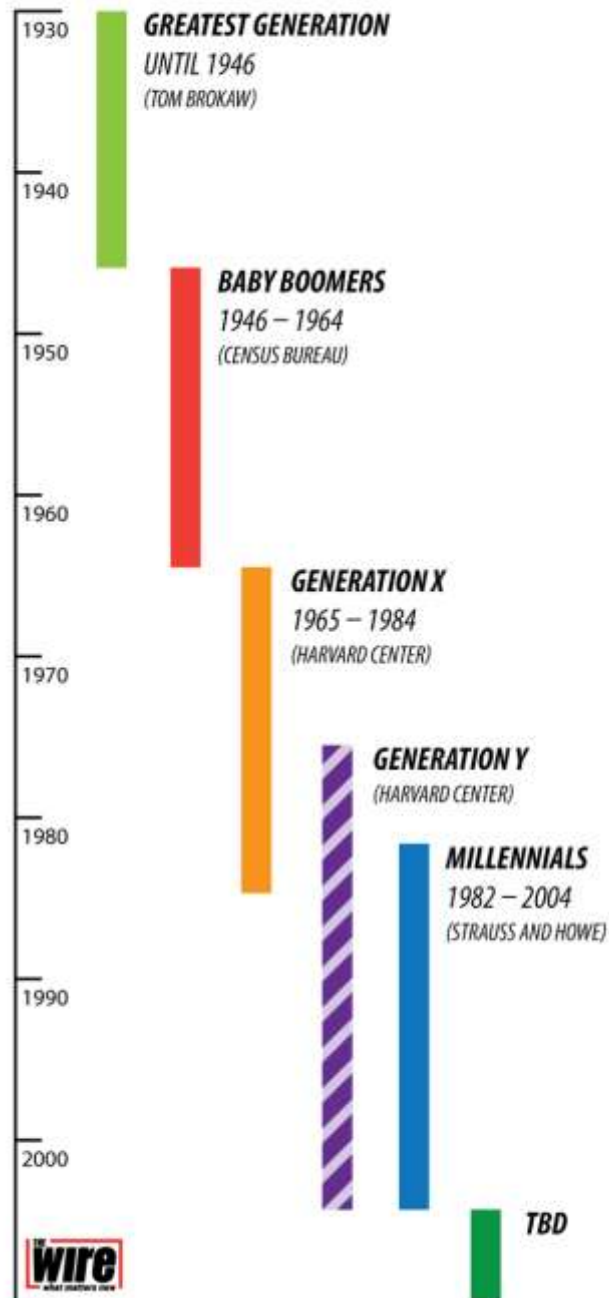
Retirement of the Baby Boom

Rise of the Millennials

Smaller households

Changing preferences

GENERATION, BY BIRTH YEAR



Generations

Silent or Greatest?

Baby Boomers

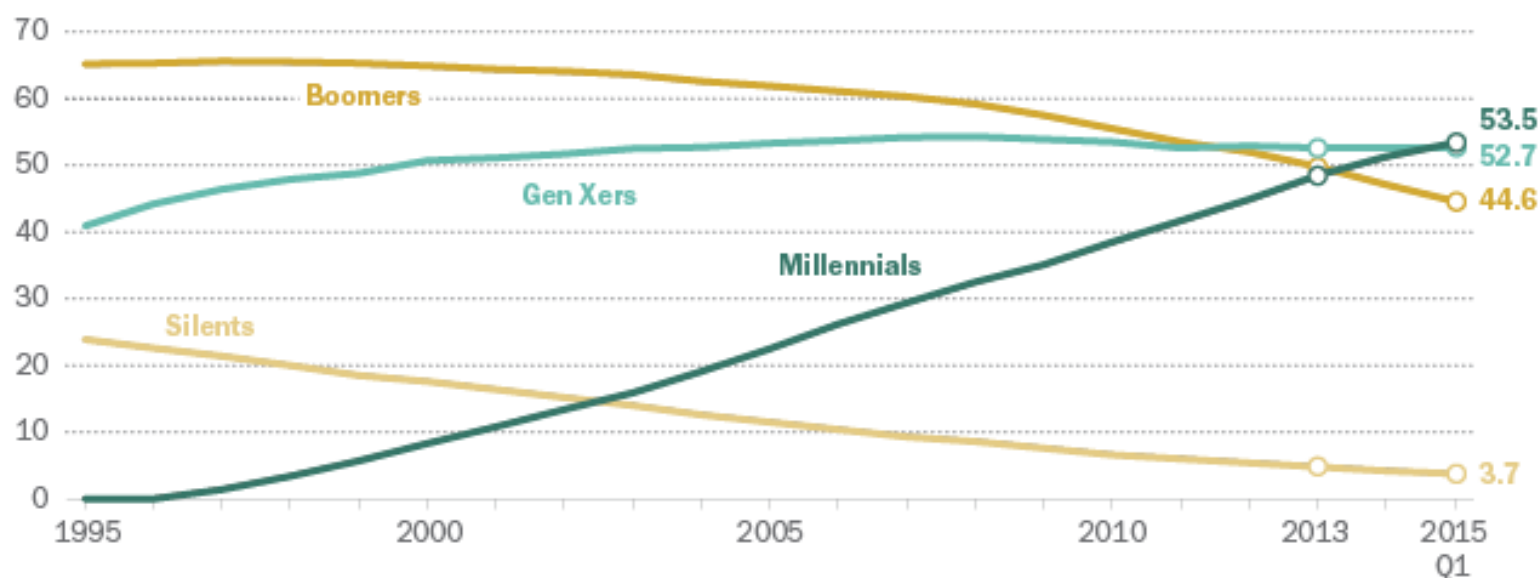
Gen X

Millennials

Millennials now largest share of the work force

U.S. Labor Force by Generation, 1995-2015

In millions



Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.


Source: Pew Research Center tabulations of monthly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)

PEW RESEARCH CENTER

Millennials are different

Millennials

mil·len·nial

/miˈlenēəl/ 

noun

plural noun: **millennials**; plural noun: **Millennials**

a person reaching young adulthood around the year 2000; a Generation Yer.

"the industry brims with theories on what makes millennials tick"



Millennials

“We can all agree that
Millennials are the worst.”

Philip Bump, The Atlantic, March 25, 2014



Millennials

They follow lifestyle,
not jobs.

Millennials choose
where to **live** before
finding a **job**.

Of all college-educated 25- to 34-year-olds
64% looked for a job **after** they chose the city
where they wanted to live.

(U.S. Census)



They want urban living

The New York Times | <http://nyti.ms/1pahHvV>

N.Y. / REGION

Suburbs Try to Prevent an Exodus as Young Adults Move to Cities and Stay

By JOSEPH BERGER APRIL 16, 2014

It is a well-trod trail: Suburban youngsters enter their early 20s, leave their parents' comfortable Tudors or colonials for the pizazz of the city, dawdle a few years until they find mates and begin having children and then, seeking more space and good public schools, move back to the suburbs and into their own Tudors or colonials.

But that pattern is changing, or at least shifting. A recent report on the suburb-dotted New York counties of Westchester, Nassau and Suffolk, based on United States census data, found that those young people seem to be lingering longer in New York City, sometimes forsaking suburban life

Millennials Are Renting Instead Of Buying And The Retail Industry Is Freaking Out



ASHLEY LUTZ
AUG. 14, 2014, 12:01 PM

They want experiences more than things.



Flickr/Ivan Bandura

Millennials' tendency to rent instead of buy is turning the retail industry upside down.



Young Americans ditch the car

By Steve Hargreaves @CNNMoney September 17, 2012: 11:30 AM ET



PHOTO: THINKSTOCK

NEW YORK (CNNMoney) -- America's young people just aren't buying cars like they used to.

The share of new cars purchased by those aged 18-34 dropped 30% in the last five years, according to the car shopping

*And they
don't
seem to
want cars*

Preferences: Transportation

Millennials are driving less

- From 2001 to 2009, the average annual number of vehicle-miles traveled by people ages 16-34 **dropped** 23 percent.

(source: National Household Travel Survey)

- 26 percent lacked a driver's license in 2010, up 5 percentage points from 2000

(source: Federal Highway Administration)



NEWS RELEASES

Millennials Favor Walkable Communities, Says New NAR Poll

MEDIA CONTACT: JANE DOLLINGER / 202-383-1042 / [EMAIL](#)

WASHINGTON (July 28, 2015) – Millennials prefer walking over driving by a substantially wider margin than any other generation, according to a new poll conducted by the National Association of Realtors® and the Transportation Research and Education Center at Portland State University.

The *2015 National Community and Transportation Preference Survey* found that millennials, those aged 18–34, prefer walking as a mode of transportation by 12 percentage points over driving. Millennials are also shown to prefer living in attached housing, living within walking distance of shops and restaurants, and having a short commute, and they are the most likely age group to make use of public transportation.

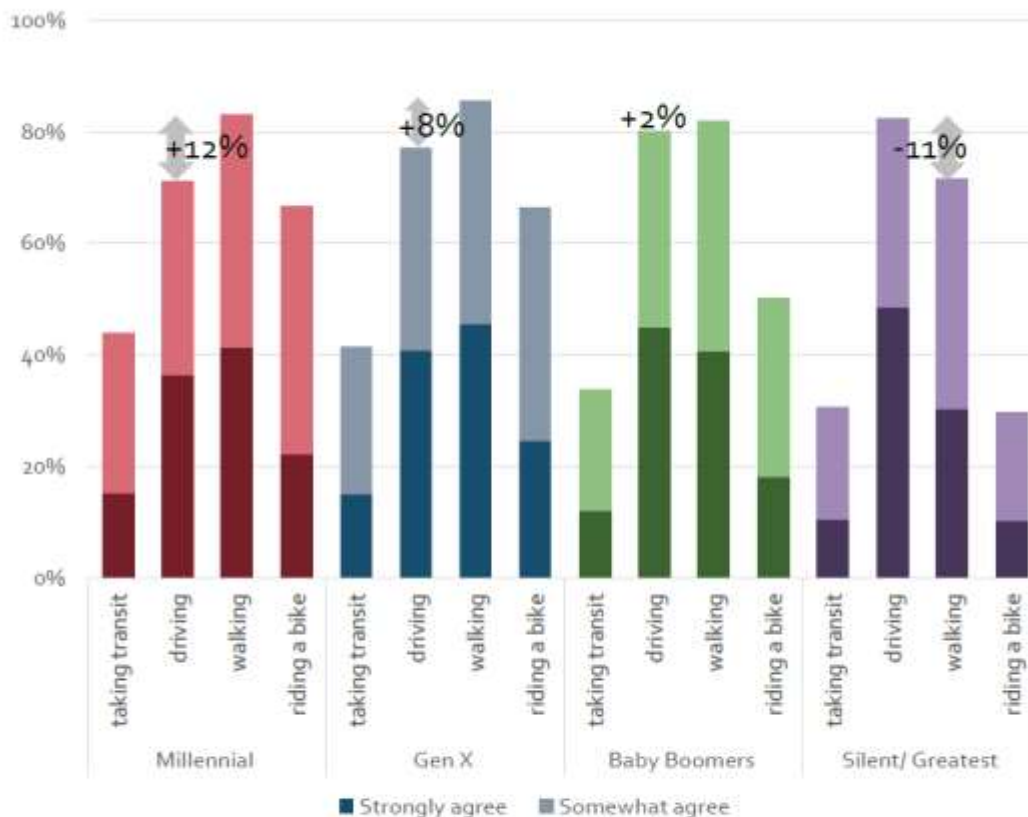
The poll also found that millennials show a stronger preference than other generations for expanding public transportation and providing transportation alternatives to driving, such as biking and walking, while also increasing the availability of trains and buses. Millennials likewise favor developing communities where people do not need to drive long distances to work or shop.

“Realtors® don’t only sell homes, they sell neighborhoods and communities,” said NAR President Chris Polychron, executive broker with 1st Choice Realty in Hot Springs, Ark. “Realtors® aid in improving and revitalizing neighborhoods with smart growth initiatives, helping create walkable, urban centers, which is

While everyone likes walking...

Millennials like it 12 percentage points higher than driving (83% agree that they like walking vs. 71% like driving). This is the largest gap of any generation.

Q27-32. Now, I'd like to ask about your preferences regarding your daily travel. For each statement, please tell me if you strongly disagree, somewhat disagree, somewhat agree, or strongly agree. I like...



Millennial housing preferences

Millennials especially are trending away from traditional suburbs

- 47% would prefer to live in a city or a suburb with a mix of houses, shops, and businesses
- 40% would prefer a rural or a **small town**
- 12% say they would prefer a suburban neighborhood with houses only

A downtown apartment is an elusive and expensive dream for millennials



Ziev Beresh and his girlfriend Bailey Walsh, both 23, have recently moved into a loft apartment above Flanagan's Irish Pub in downtown Grand Rapids. The couple chose to live down to because of the accessibility to shops, nightlife, and other activities. (Emily Rose Bennett / MLive.com)



By Jim Harger | jharger@mlive.com

[Follow on Twitter](#)

on March 02, 2014 at 7:17 AM, updated March 09, 2014 at 8:53 AM



GRAND RAPIDS, MI – Ziev Beresh and his girlfriend, Bailey Walsh, are living the new American Dream.

The couple, "millennials" in their early 20s, recently moved into a third-floor loft apartment above Flanagan's Irish Pub on Pearl Street NW in the heart of downtown.

Beresh, a freelance media consultant, and Walsh, a digital marketing consultant, moved into the 800-square-foot, two-bedroom unit earlier this year after moving out of the house they were renting in the city's Eastown neighborhood.

At \$1,400 a month, Beresh said they are delighted to be in the heart of downtown, where summer concerts, outdoor festivals and winter ice skating are less than a block away at Rosa Parks Circle.

"We just know that in the summer, everybody is going to be congregating where we live. It's just really exciting for us to be here, and we see it as a great value because of that."

"We're happy to pay a slight premium to be close to all these things that enrich our lives." --
Downtown resident Ziev Beresh

**Boomers are a different kind of Senior
Citizen**

“Adulthood II”

Boomers not ready for the rocking chair

- Today’s retiree can live past 90
- “These additional 31 years of expected life have not been just tacked on at the end . . . Today’s 65-year-olds are starting new careers or continuing old ones, traveling around the world, and eloping with new loves, in a stage of life we are calling ‘Adulthood II.’”

- cultural anthropologist Mary Catherine Bateson,
quoted in ULI report

Boomers and housing

Boomers are downsizing

- Increasing numbers, smaller households
- The number of senior households will grow twice as fast as all others over the next couple decades
(A.C. Nelson)
- Shrinking, aging households will be a source of supply of SFD housing, and demand for smaller and multi-family housing

Boomers and housing

- From 1990 to 2010, downsizing households (with residents 65 and older) made up 20 percent of new housing demand. But over the next 20 years they will account for **85 percent** of the demand share.
- Market research shows this segment prefers smaller **homes on smaller lots** or **attached options**.

Aside:

They're not that interested in moving to "retirement communities."

Average age entering senior housing used to be 70 – **now it's 86.**

Source: Nelson.

Boomers and transportation

Turning in their keys

- Using local buses and trains more (source: National Household Travel Survey)
- Bike trips increased 64 percent between 2001 and 2009. (AARP)



“Americans Prefer to Live in Mixed-Use, Walkable Communities”

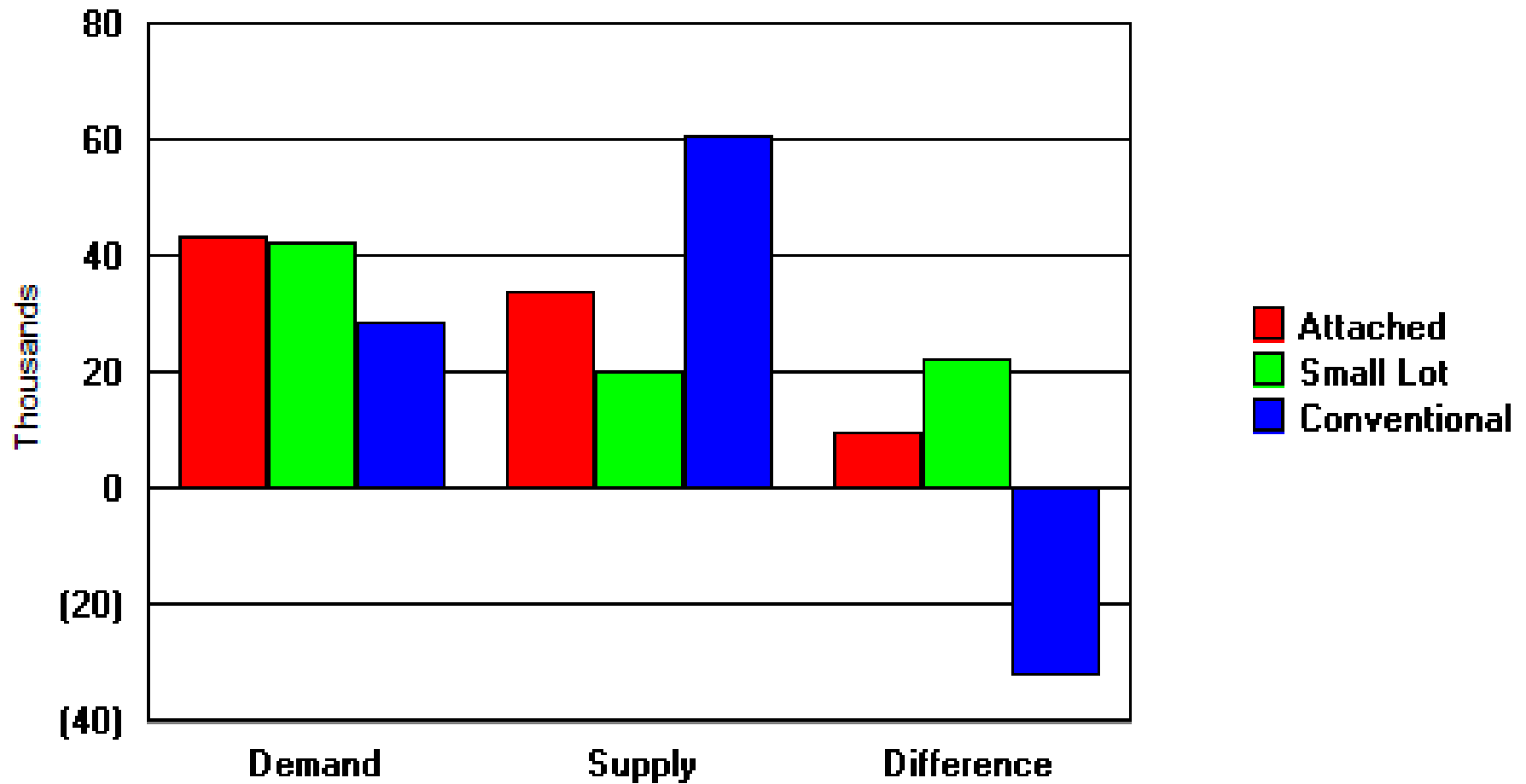
-- **National Association of Realtors**

(October 2013):

- 78 percent say neighborhood is more important than the size of the house
- Fifty-seven percent would forego a home with a larger yard if it meant a shorter commute to work

Source: Oct. 2013 Consumer survey conducted for the National Association of Realtors

Occupied Housing Demand-Supply Mismatch 2011



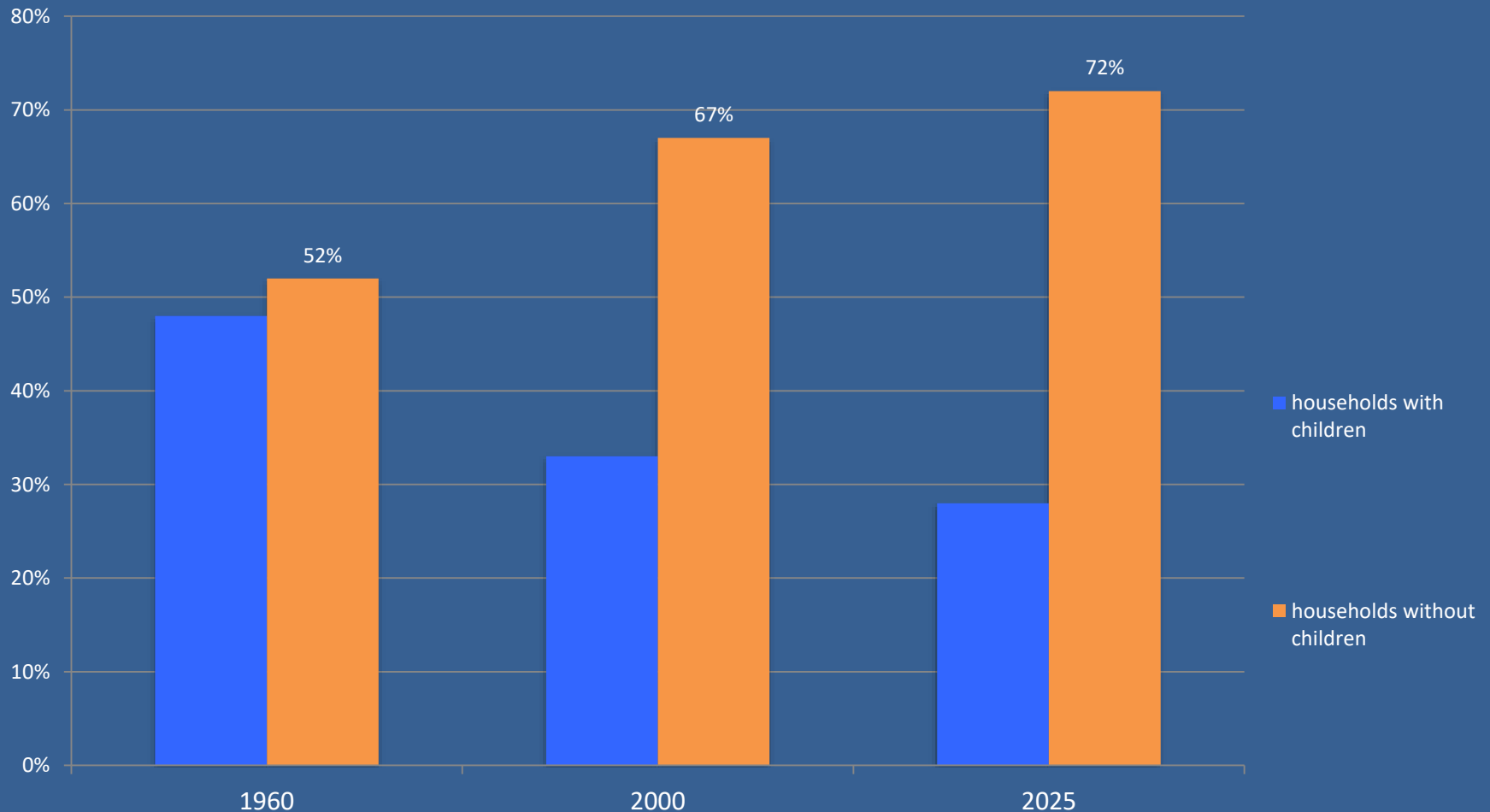
Source: Adapted from American Housing Survey 2011 by Arthur C. Nelson, University of Arizona.

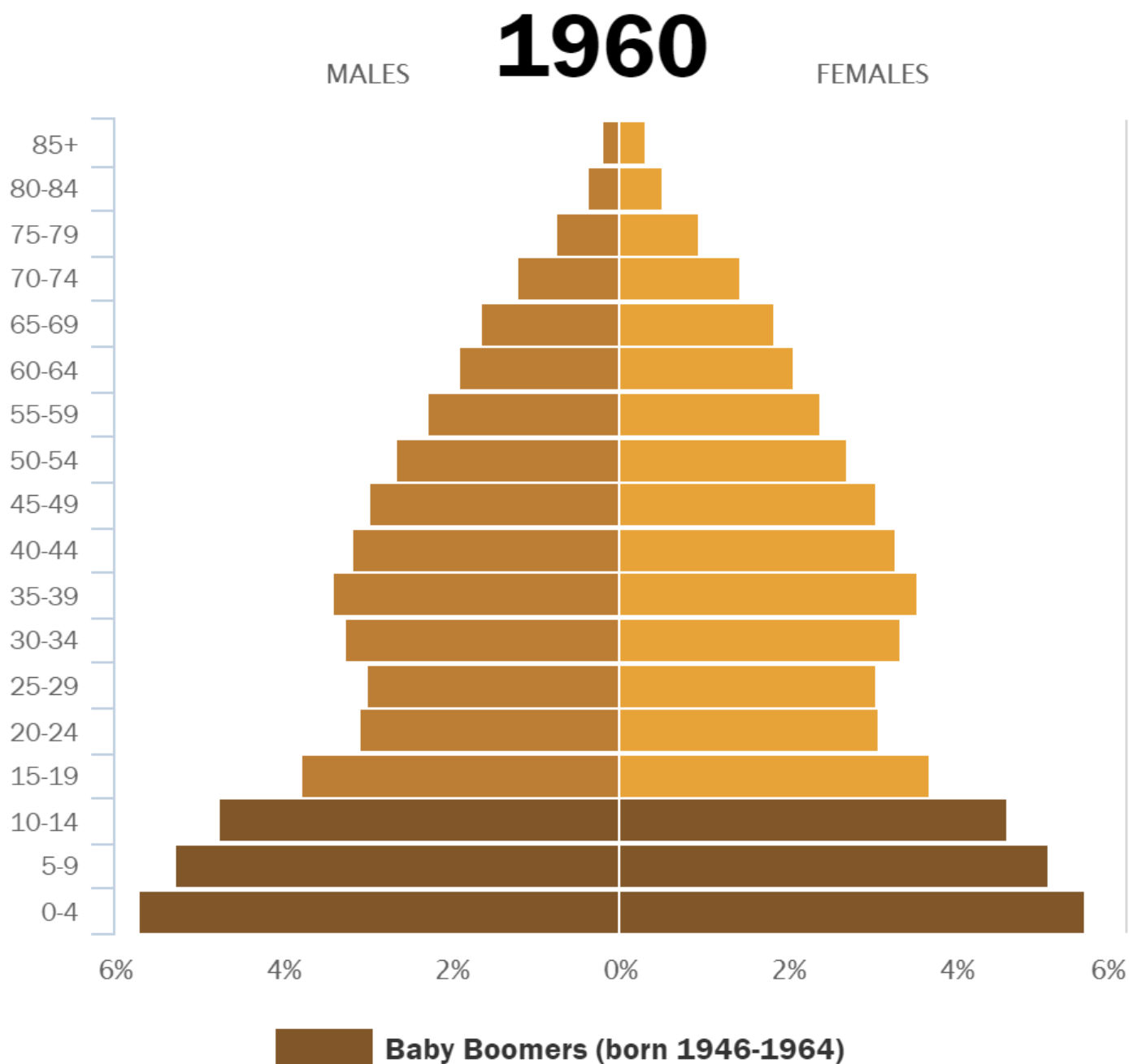
Why this is probably not
a short-term fashion,
but a structural change

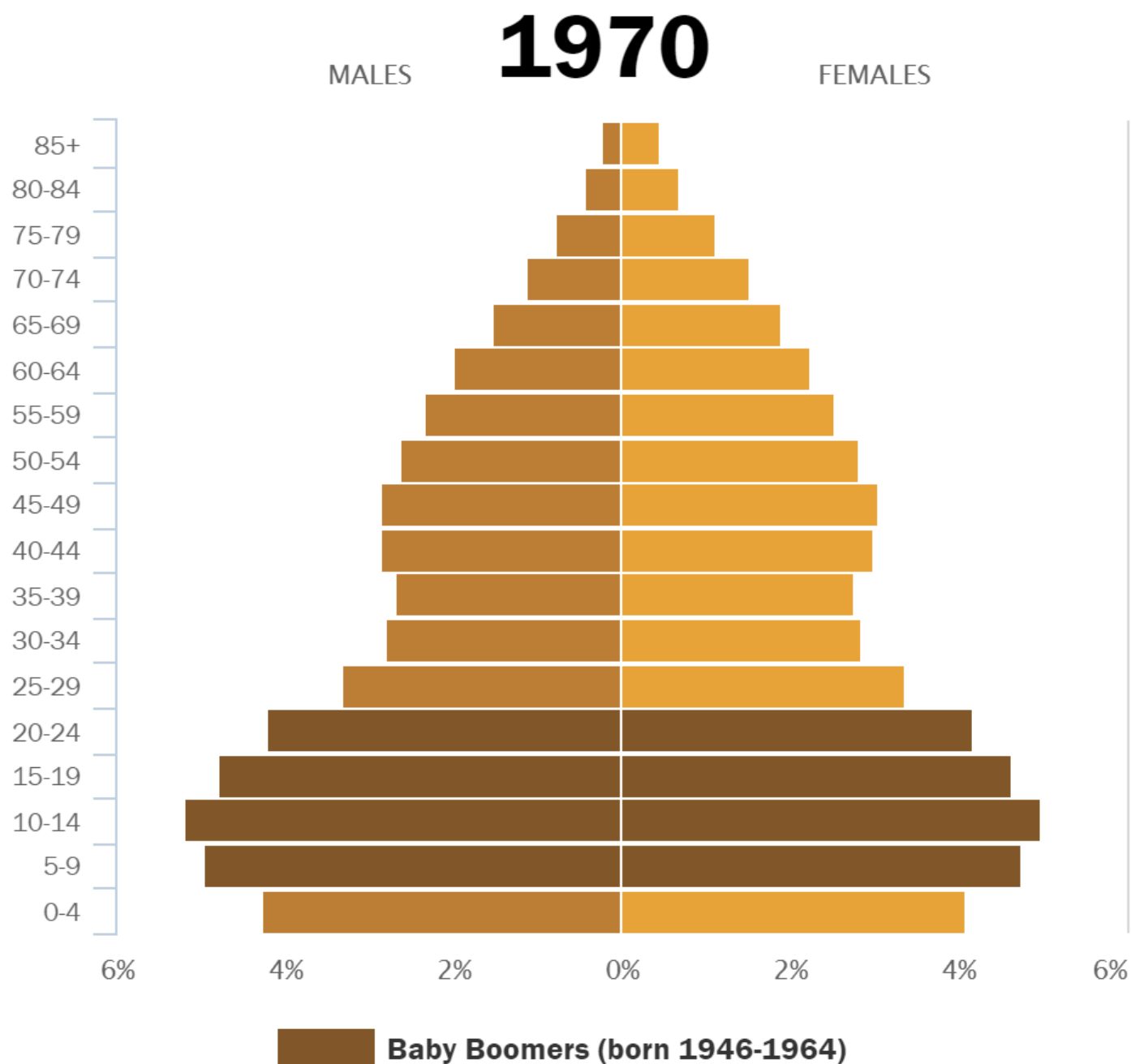
(We're getting steadily older – not just individually,
but as a whole)

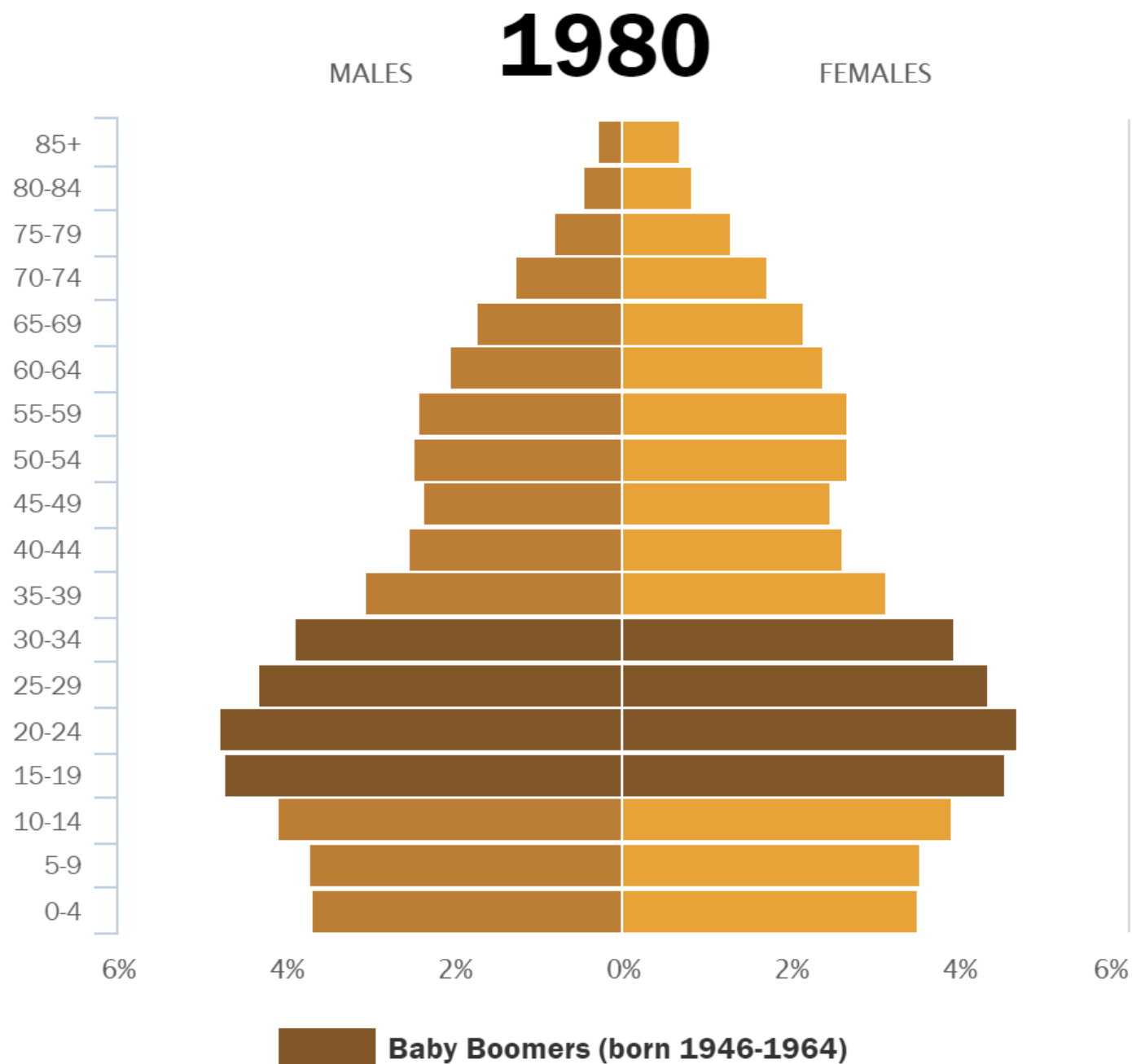
Changing household composition

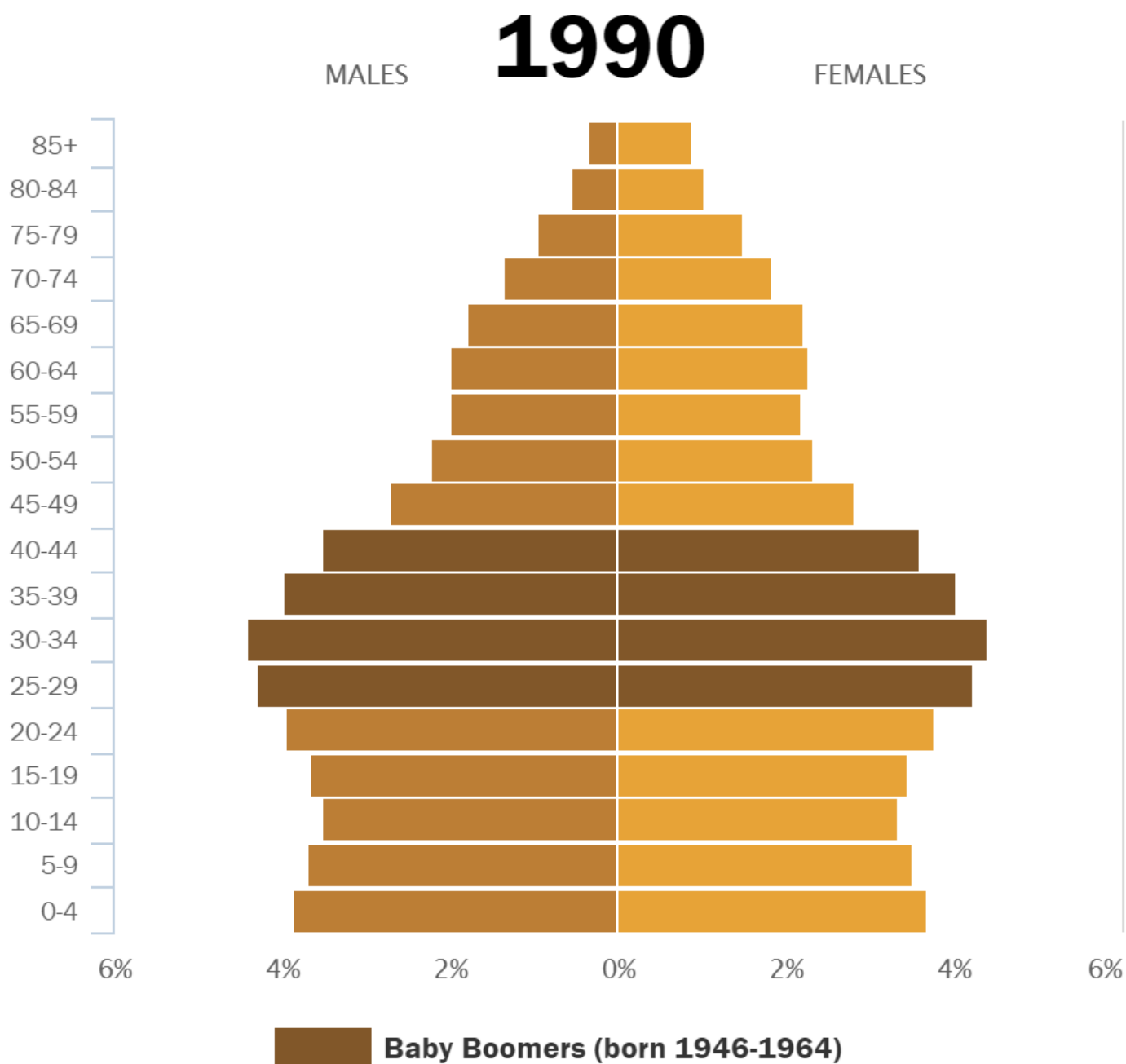
Households with and without children, 1960-2025

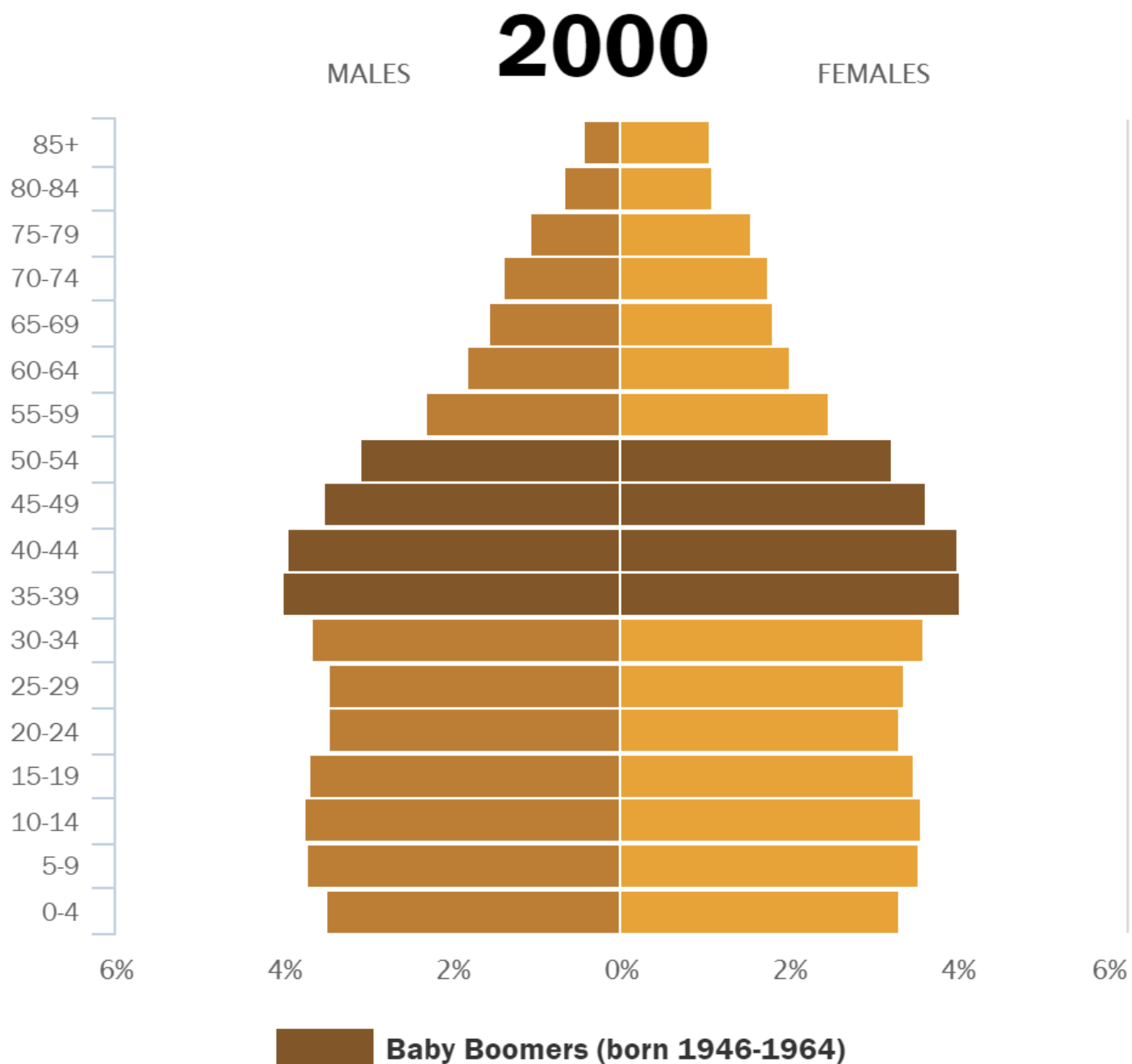


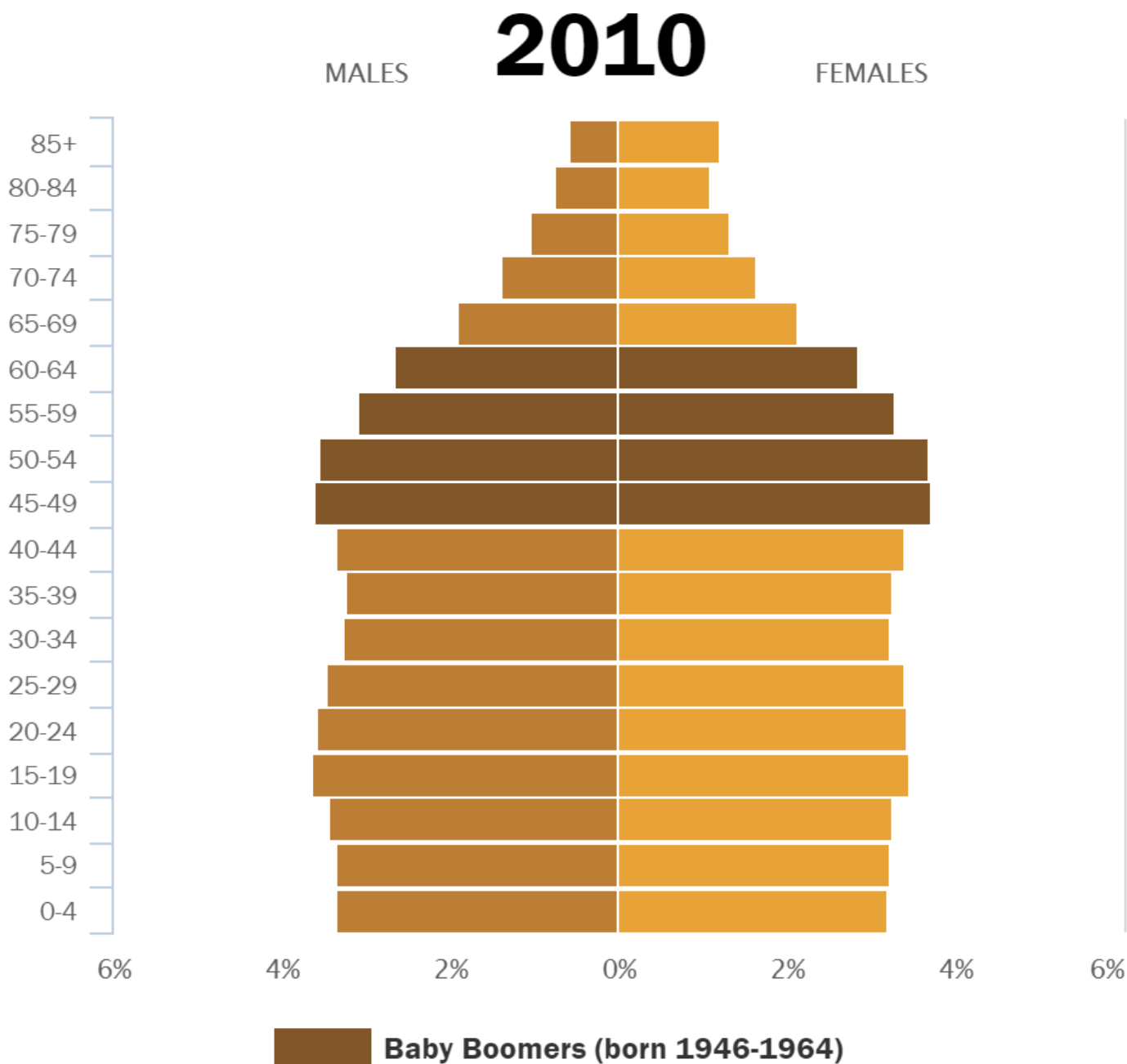


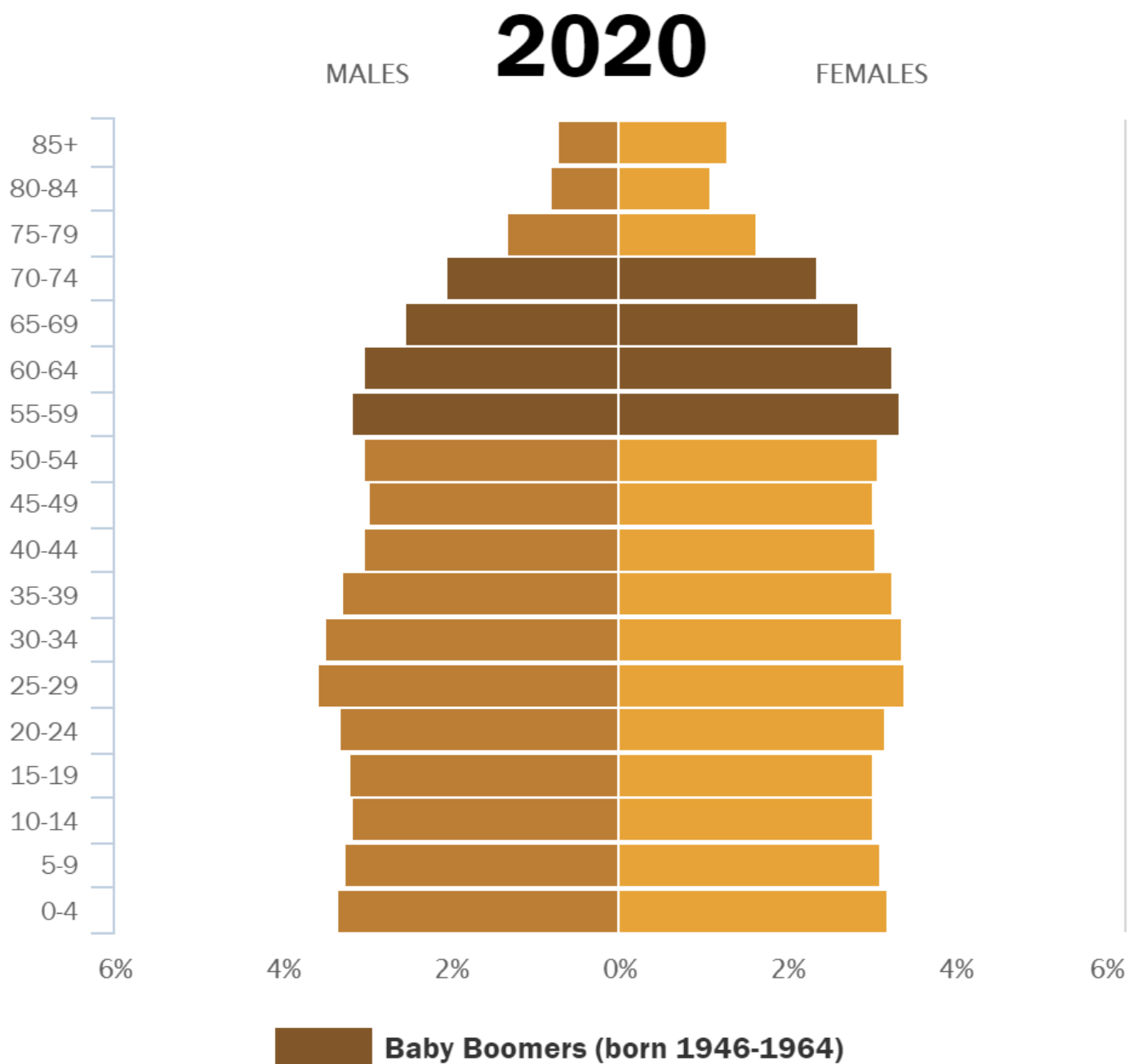


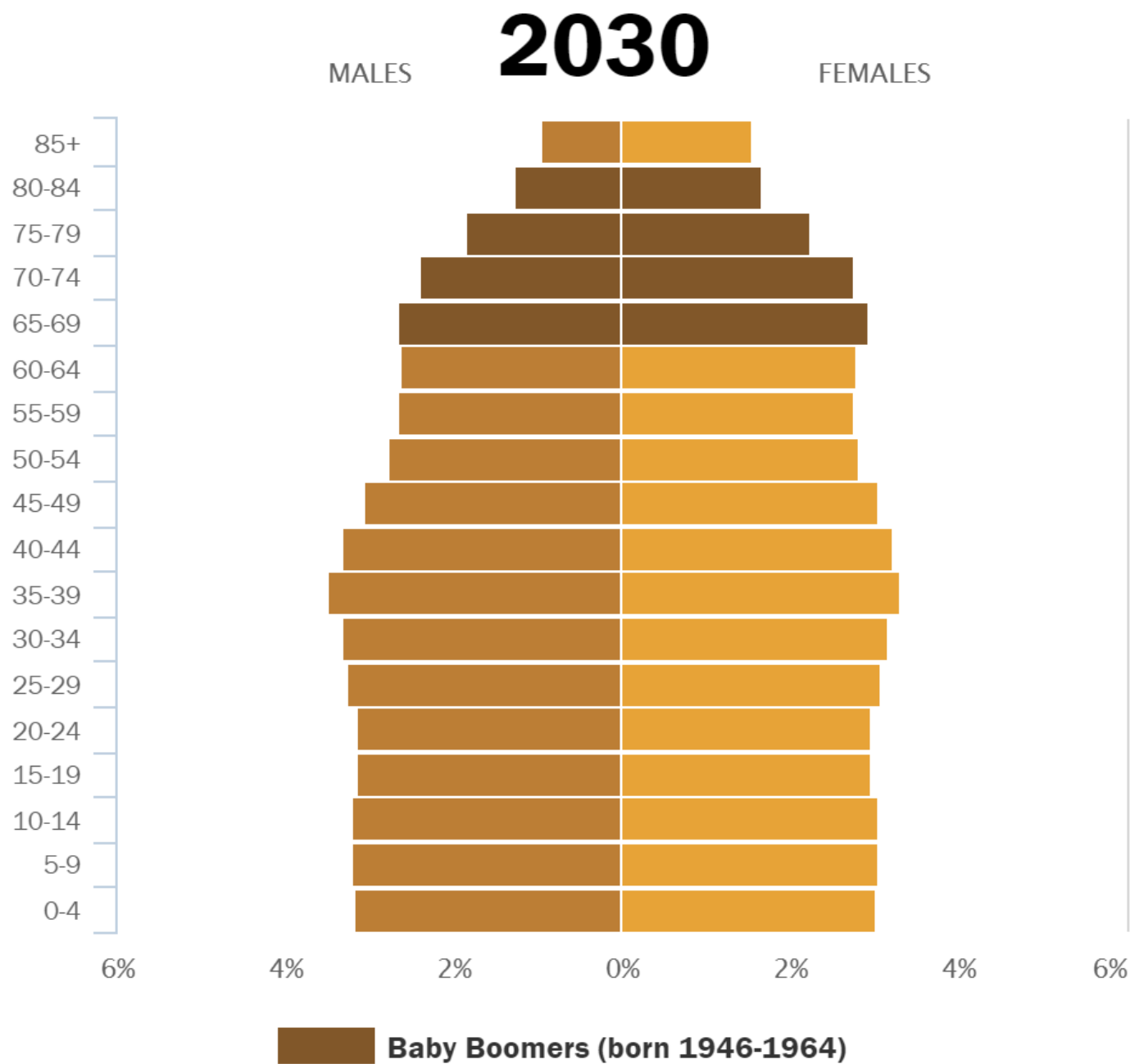


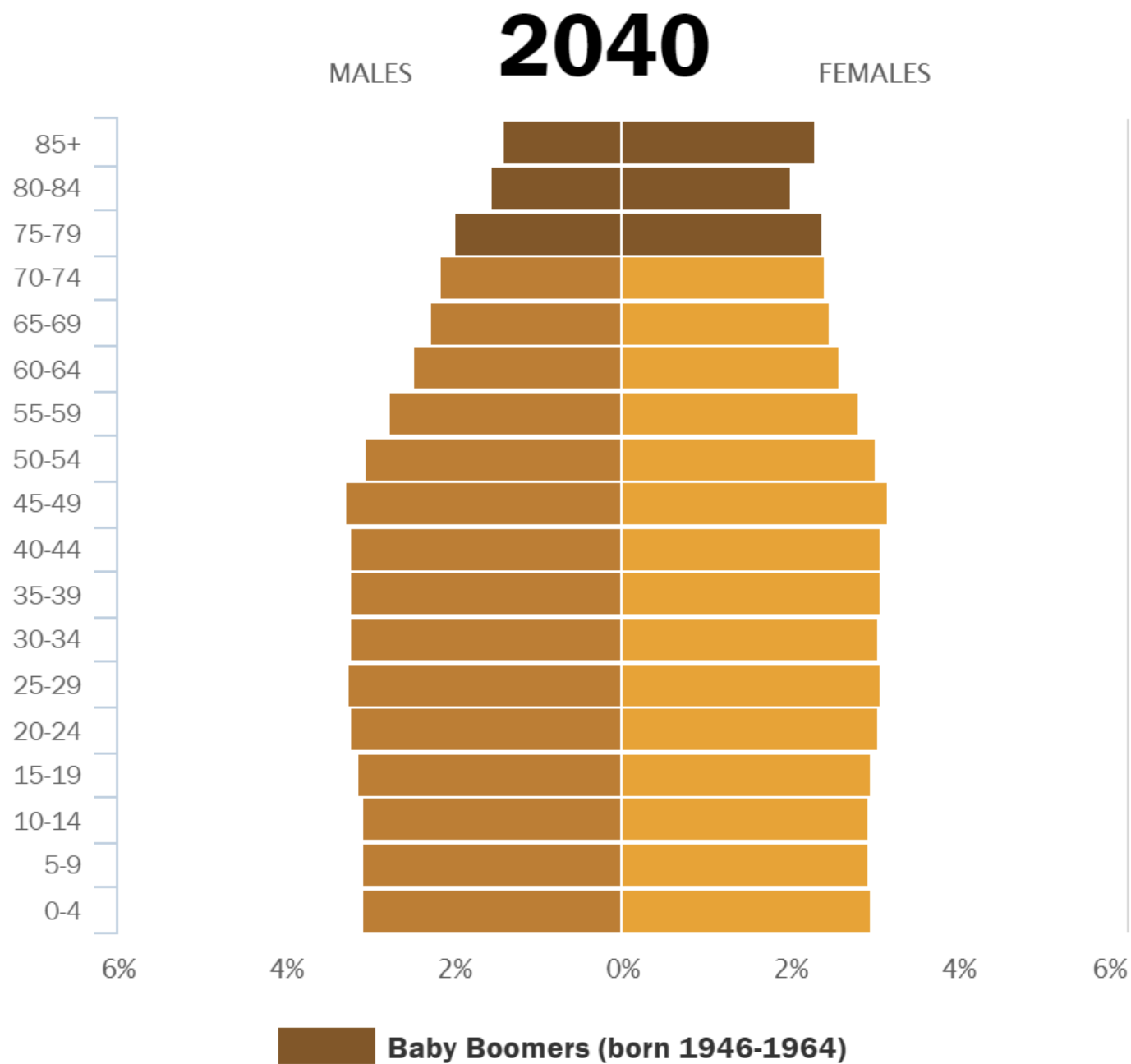


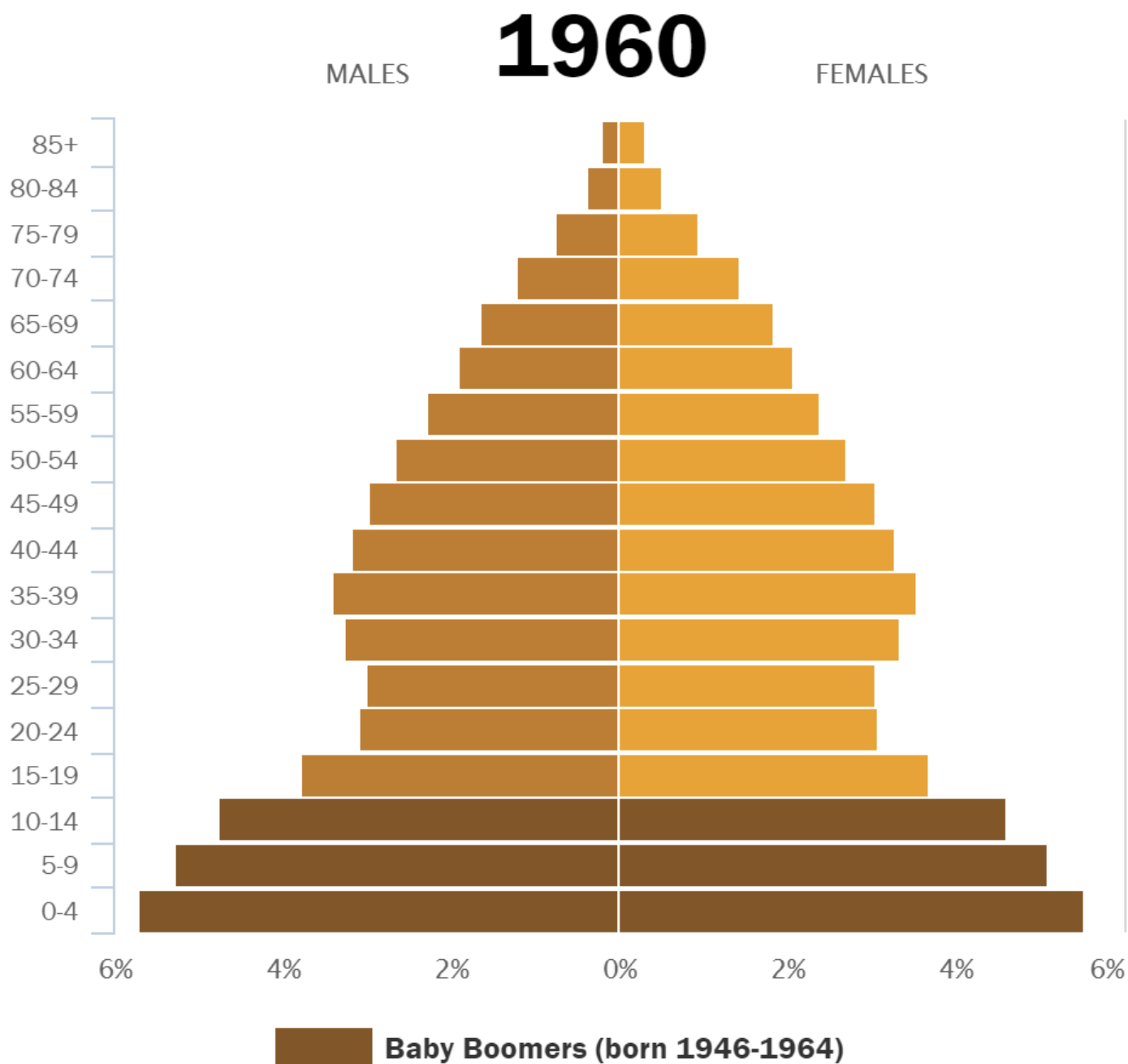


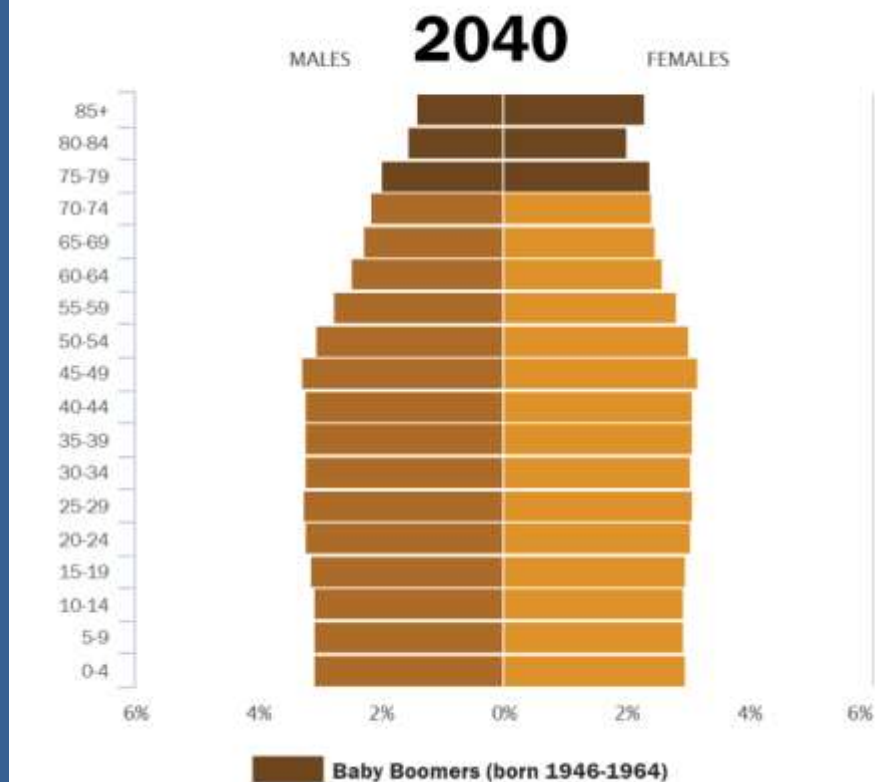
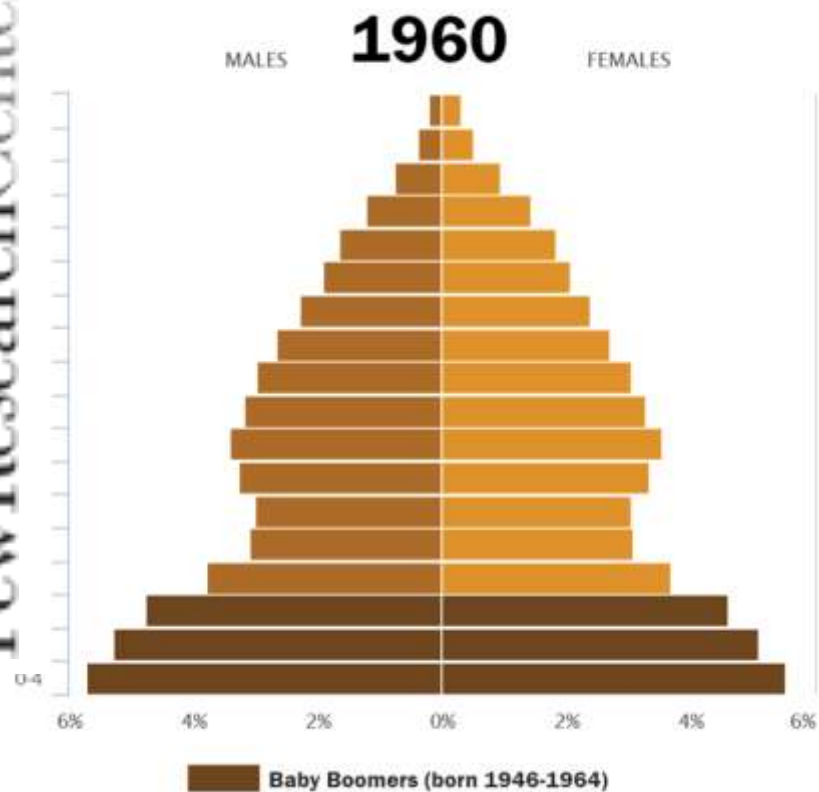












So household composition will be different in the 21st century, even if Millennials revert to the choices of earlier generations

All this has big implications for real estate

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Today's Office Tenants Prefer Live, Work, Play Locations

Office tenants today prefer to be located in amenity-rich, mixed-use suburban vibrant centers (also known as "live, work, play" locations) rather than single-use suburban office locations by a margin of 83 percent to 17 percent, according to a recent NAIOP Research Foundation report. The report, "[Preferred Office Locations: Comparing Location Preferences and Performance of Office Space in CBDs, Suburban Vibrant Centers and Suburban Areas](#)," combines expert opinion and accurate property-level data to explain what tenants seek in their office location – and how different office locations perform on key metrics.



Salt Lake City 66 °
Traffic

The Salt Lake Tribune

WWW.SLTRIB.COM

2015

“Business leaders say that walkable downtowns are becoming a crucial tool in what they do.”



The Realty Show

How do you attract the best workers? Set up shop in a walkable downtown

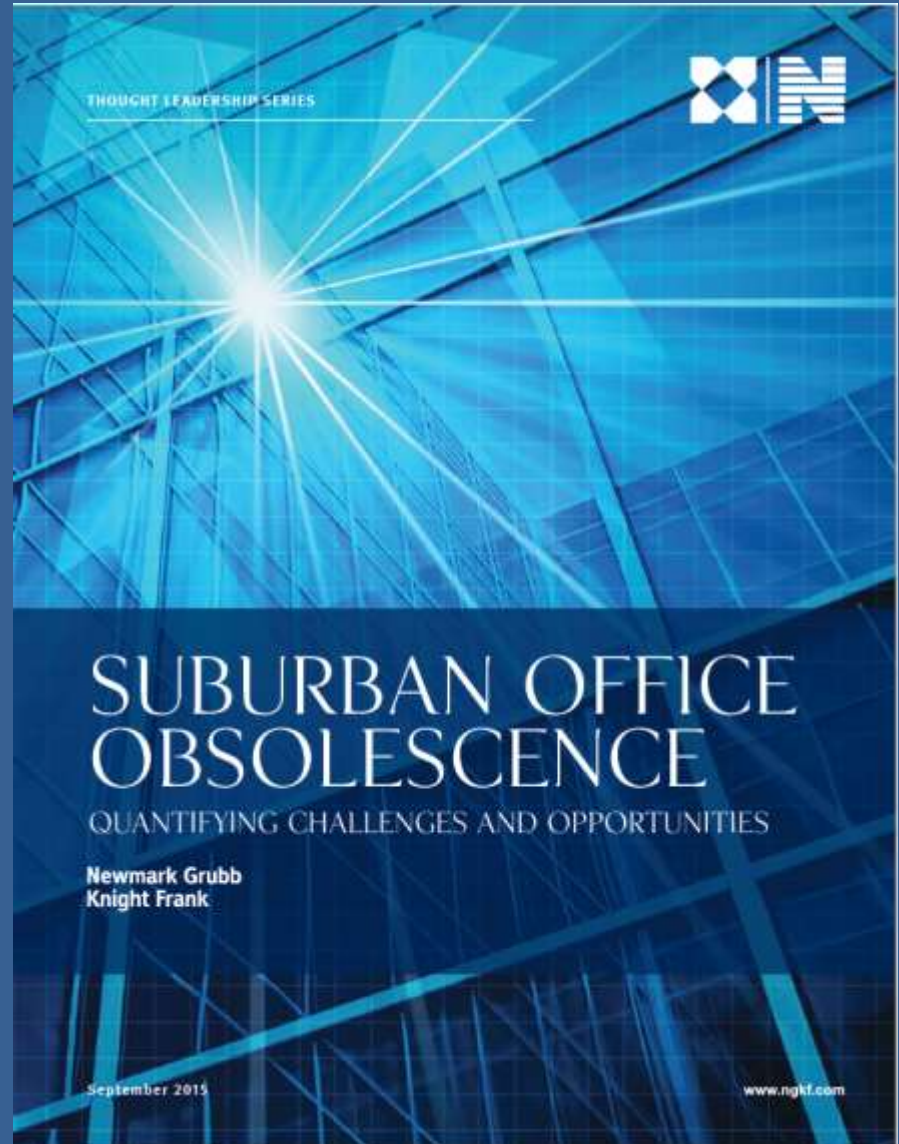
Tony Semerad

First Published Jun 19 2015 04:18PM • Last Updated Jun 19 2015 04:18 pm

“Walkability and activated environments are at the top of many tenants’ list of must haves”

“ . . . the old model of the isolated suburban office park is going the way of the fax machine.”

-- Angie Schmitt,
StreetsblogUSA



There is a price/value premium
for walkable places



There is a price/value premium for walkable places (residential)

Applies to residential real estate -

Above-average walkability:

→ \$4,000 to \$34,000 more in home sales price

•Sources: "Walking the Walk" by Joseph Cortwright, CEOs for Cities and
"The Walkability Premium in Commercial Real Estate Investments"
by Gary Pivo and Jeffrey Fisher

There is a price/value premium for walkable places (commercial)

Applies to commercial real estate -

Greater walkability:

→ 1% to 9% increase in commercial property value depending on type; also higher incomes and lower capitalization rates



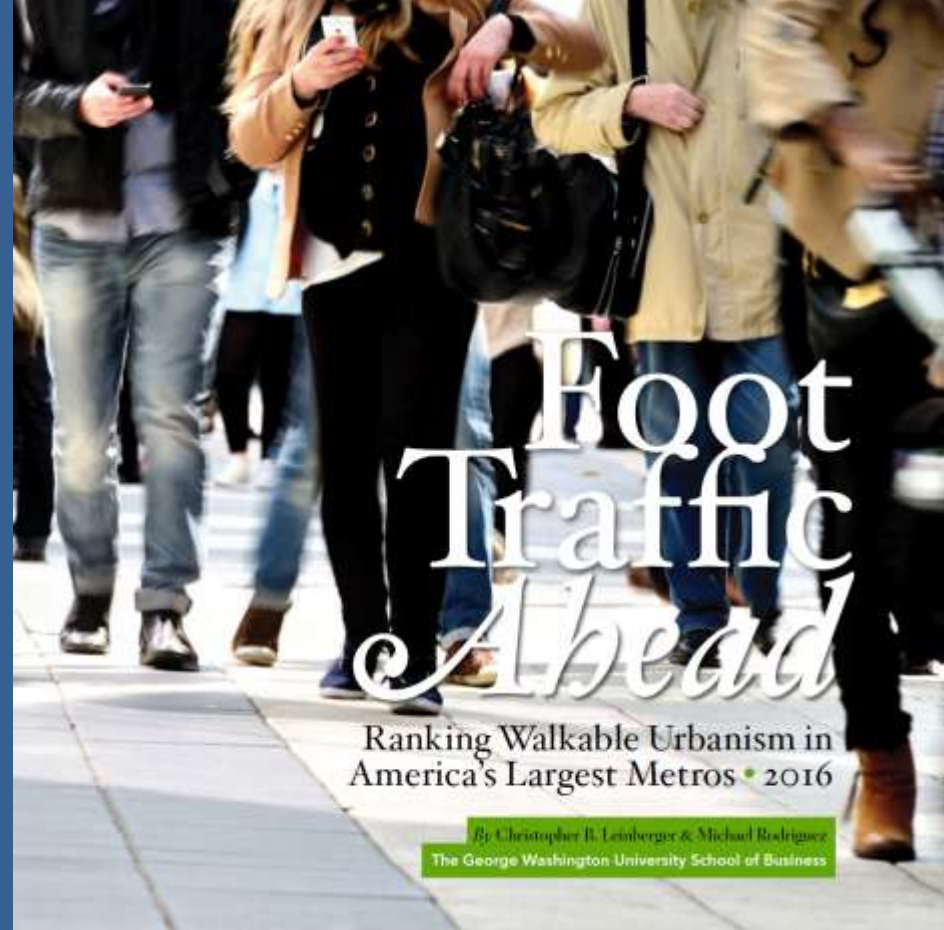
•Sources: “Walking the Walk” by Joseph Cortwright, CEOs for Cities and
“The Walkability Premium in Commercial Real Estate Investments”
by Gary Pivo and Jeffrey Fisher

There is a price/value premium for walkable places

2016 study update ranks the top 30 US metropolitan areas in walkability

Key findings:

- All 30 metros show rental rate premiums for walkable urban office, retail and rental multi-family.
- Average is 74% over their drivable sub-urban competition.
- All 30 metros have seen walkable urban market share gains between 2010-2015 in occupied space while drivable sub-urban has seen market share losses .





It's not just big metropolitan areas, but small towns too

“The same demographic and market trends that are driving a return to big cities can also boost the prospects of smaller cities and towns surrounded by suburbs and countryside.”

-- Robert Steuteville, *Small cities and towns are urban places, too* - **Better! Cities & Towns**

“About 10 percent of Americans would like to live in mixed-use small towns, but don't.” -- Robert Steuteville

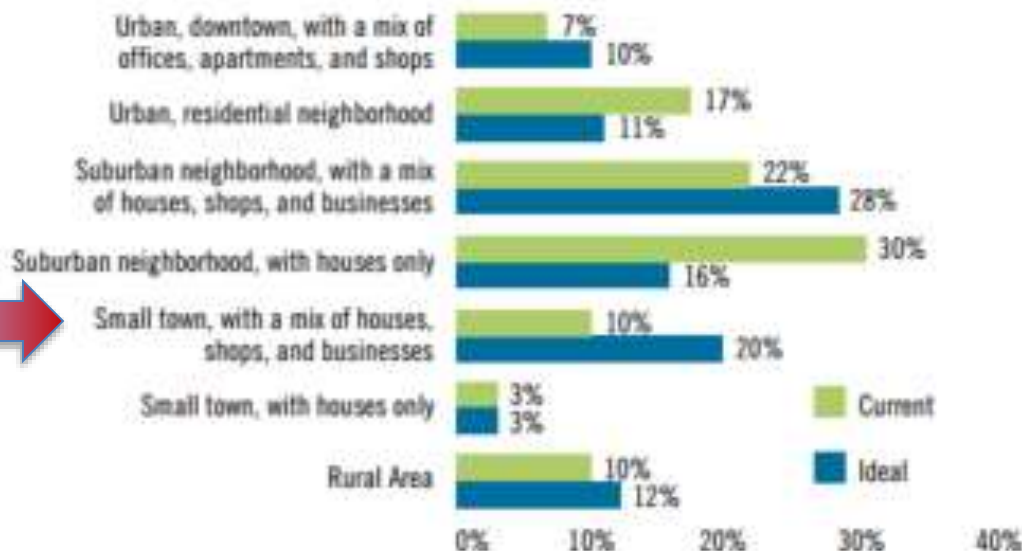


FIGURE 12:
**CURRENT AND
IDEAL
NEIGHBORHOOD
TYPE**

**WHO'S
ON BOARD**
2014 MOBILITY
ATTITUDES
SURVEY

The Other Walkable Urban Trend

Economic development is increasingly a competition over *placemaking*.



And that means *walkable* places.

How communities
develop affects
government expenditures
and revenues.

Infrastructure and services



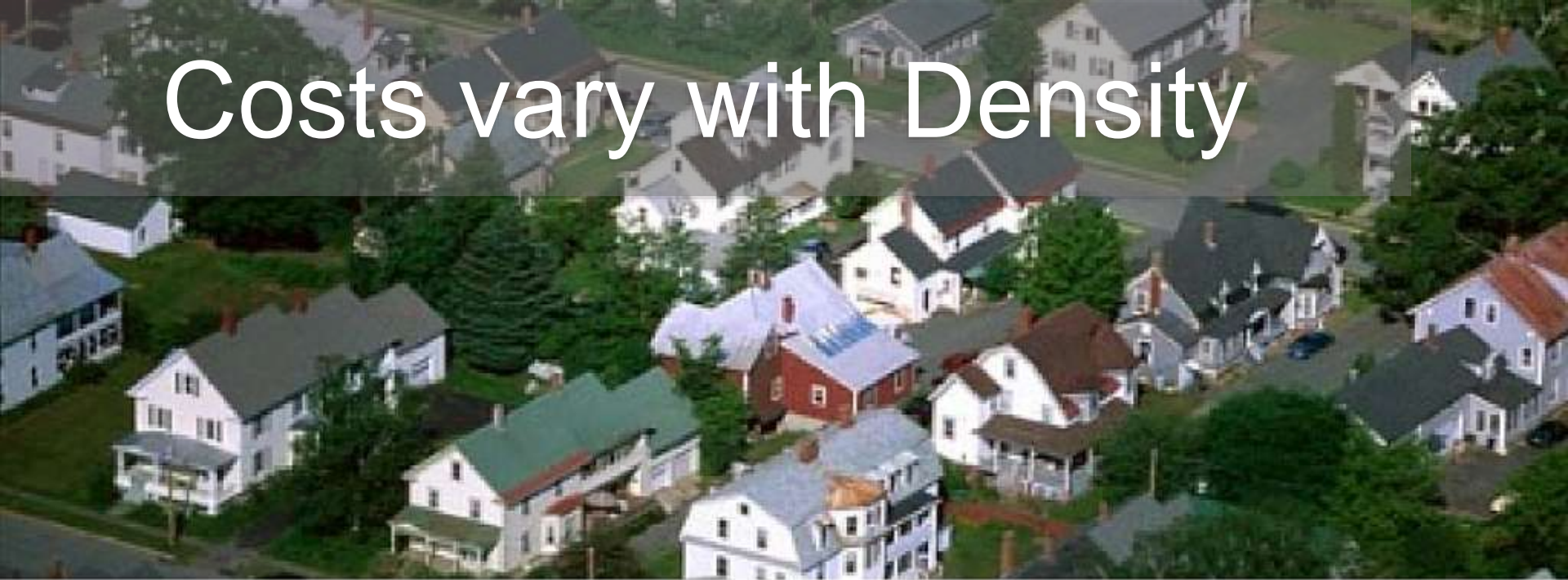
Development affects costs

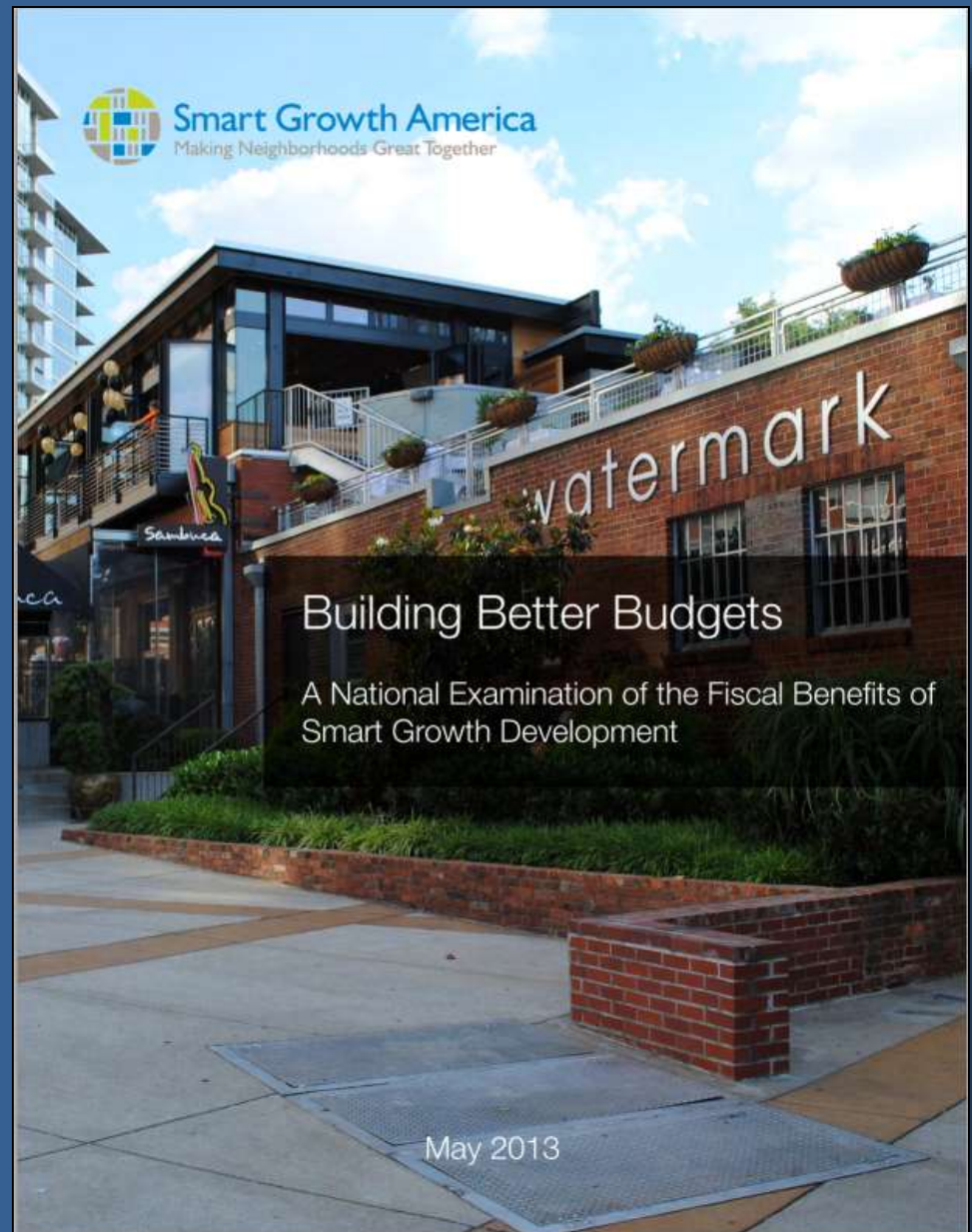
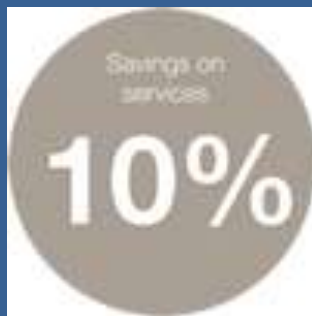
Compact development offers efficiencies in delivering **services**.

- Police and fire departments have less area to cover.
- Fewer miles of road to cover for trash pickup, school buses.
- Fewer miles of water and sewer pipes to maintain.



Costs vary with Density







Smart Growth America
Making Neighborhoods Great Together

RCLCO



The Fiscal Implications of Development Patterns

A MODEL FOR MUNICIPAL ANALYSIS

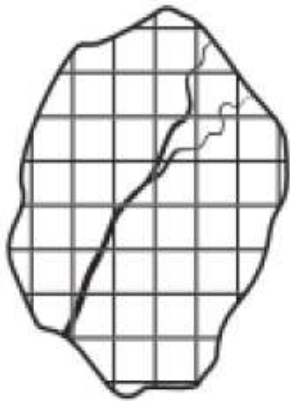
April 2015

A scenario analysis tool

A fiscal impact model focused
on the relative effects of
sprawl versus compact
development

Comparative development patterns for the same population

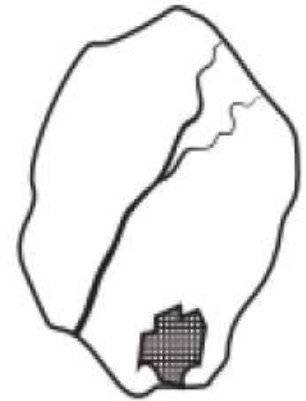
Scenario A



Scenario B



Scenario C

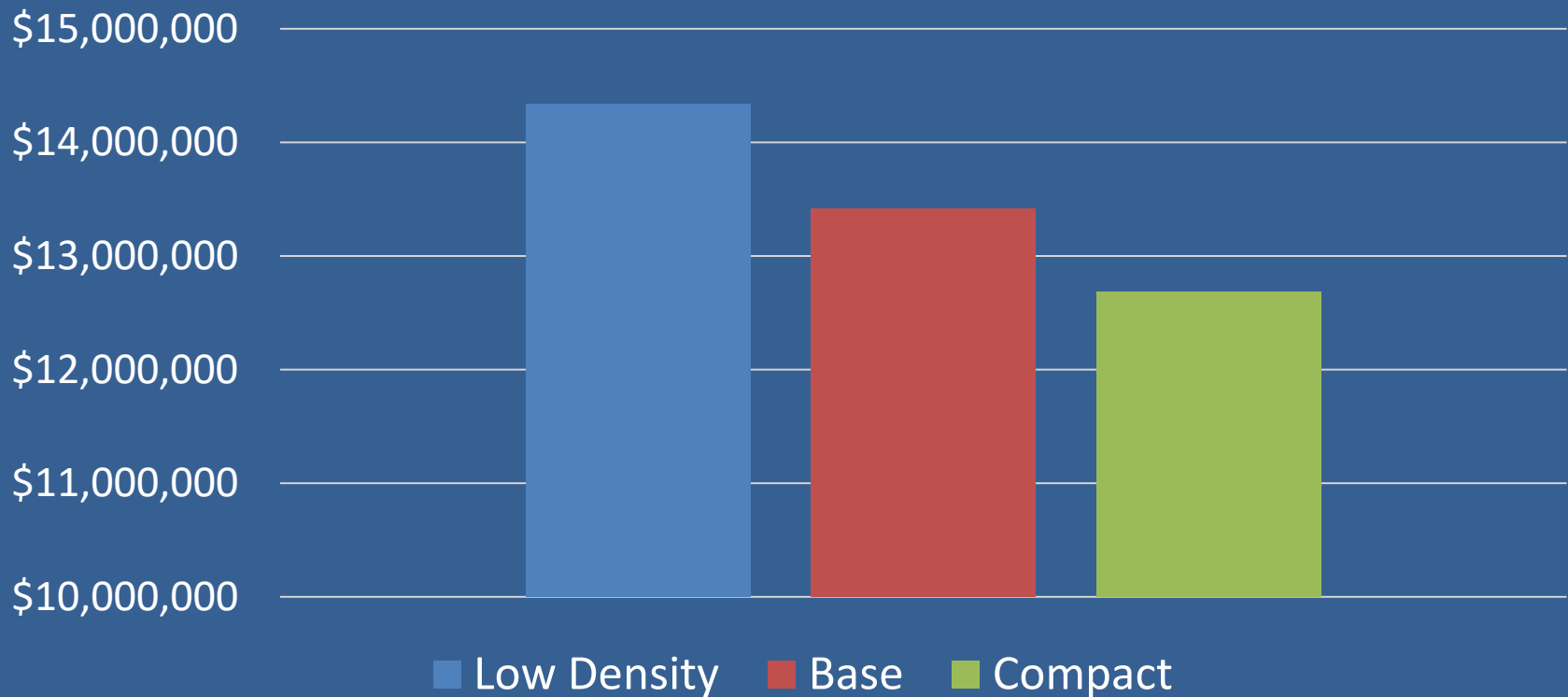


Fiscal Impact Analysis Sites



THE COMPACT DEVELOPMENT SCENARIO REDUCES CITY EXPENDITURES

Total Projected Annual City Costs of Pioneer District
Development at Build-Out in Today's Dollars



MACON MODEL PROJECTS THAT MOVING FROM 1 UNIT PER ACRE (NET) TO 16 REDUCES PER CAPITA COUNTY COSTS BY 25%

0.9 units
per acre



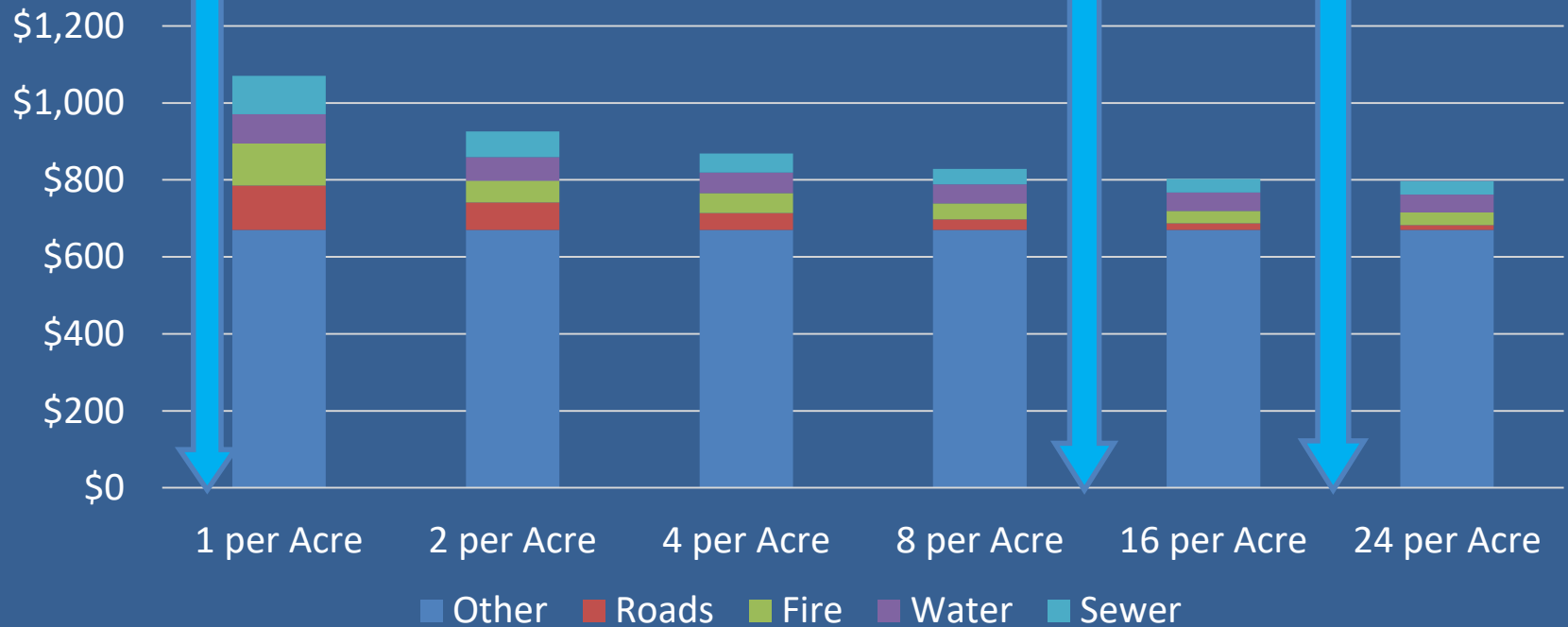
11.7 units
per acre



21.8
units
per
acre



Hypothetical Residential Programs in Macon-Bibb



NOTE: Does not include potential density-related savings associated with solid waste or use of existing infrastructure

MACON MODEL PROJECTS THAT MOVING FROM 1 UNIT PER ACRE (NET) TO 16 REDUCES PER CAPITA COUNTY COSTS BY 25%

0.9 units
per acre



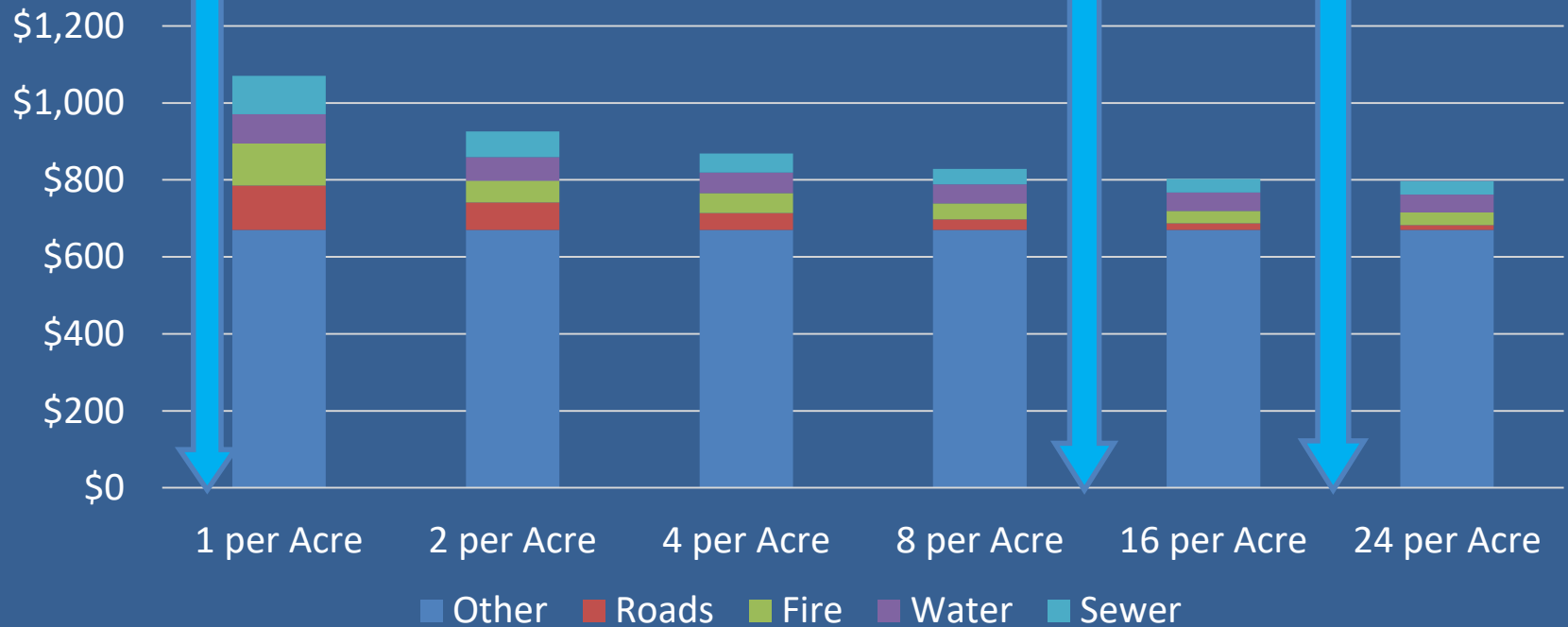
11.7 units
per acre



21.8
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per
acre



Hypothetical Residential Programs in Macon-Bibb



NOTE: Does not include potential density-related savings associated with solid waste or use of existing infrastructure

FIGURE 4

Capital infrastructure and annual operating costs for three development scenarios in Natrona County, WY³⁷

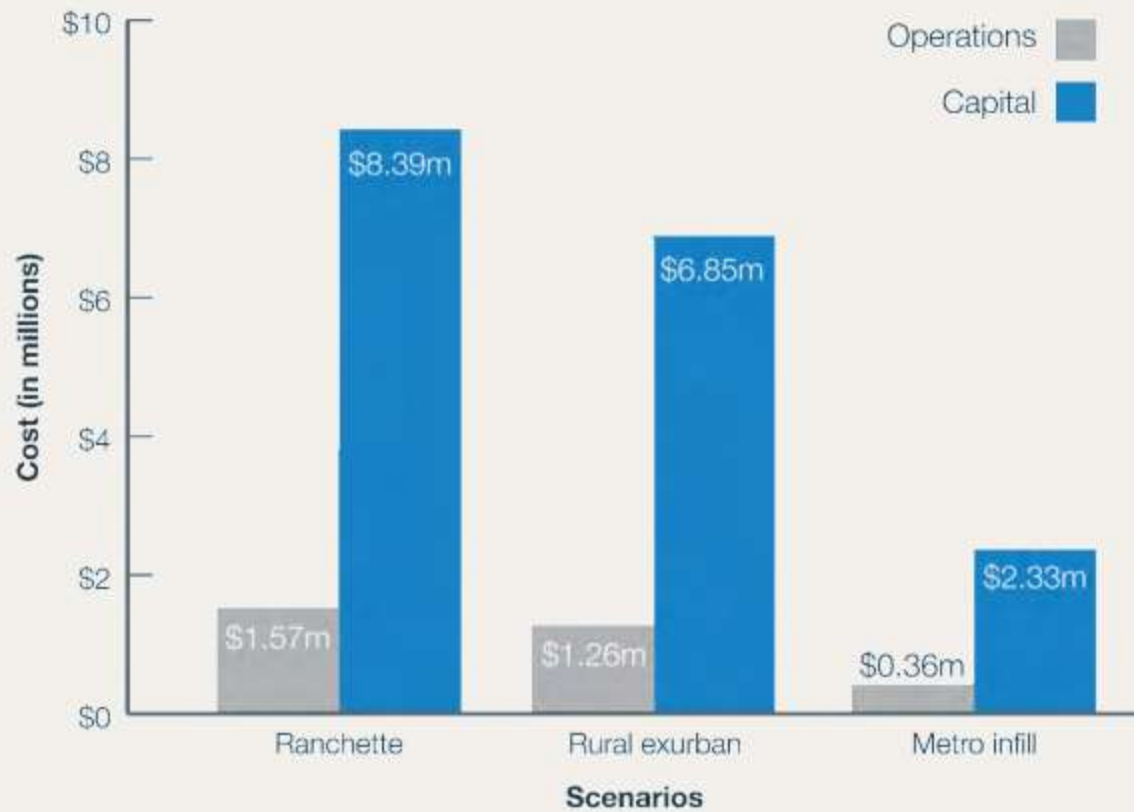
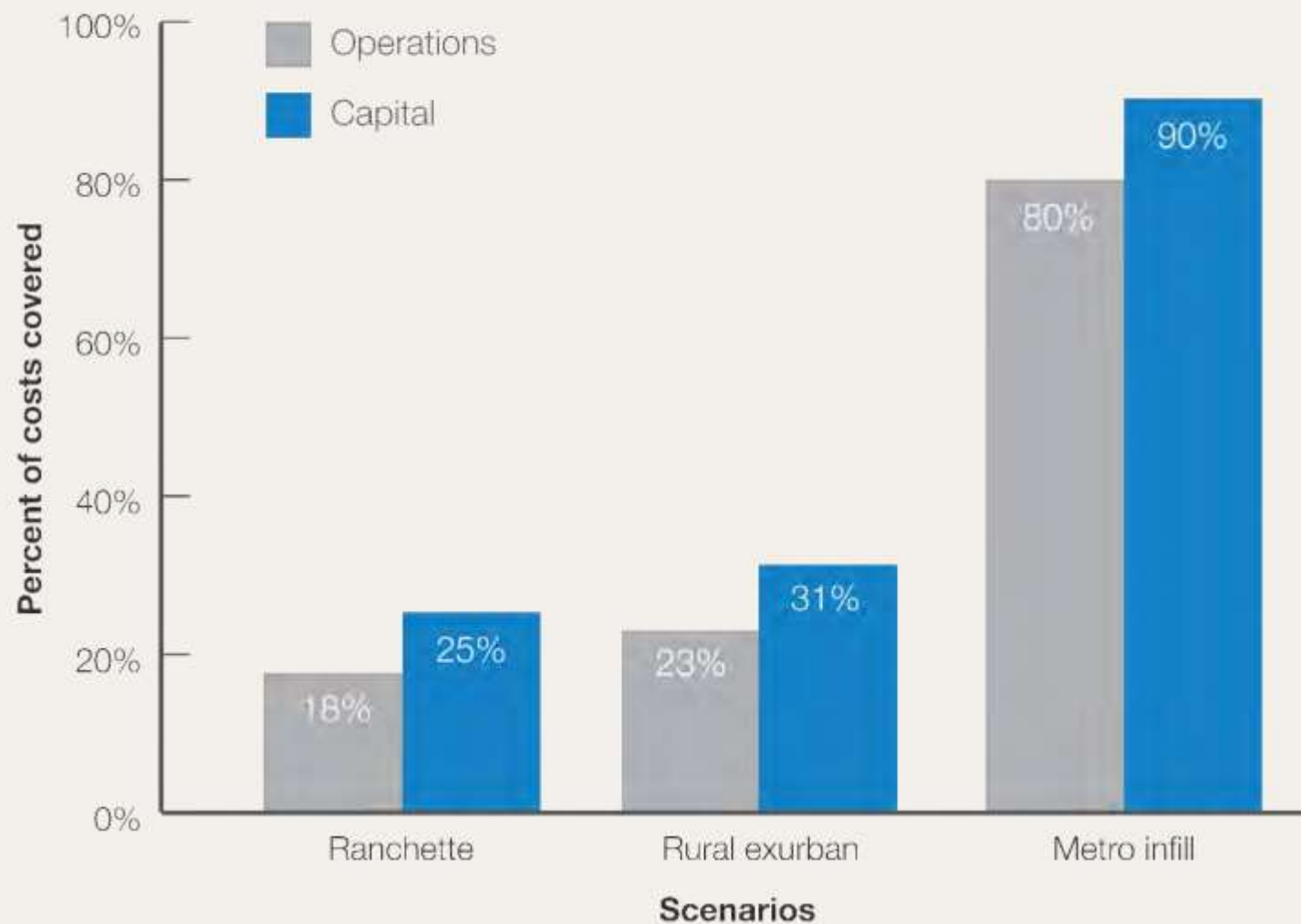


FIGURE 5

Percent of operations and capital costs covered by housing unit revenue contributions³⁸



A photograph of a park with a brick path, trees, and a monument in the background. The path is made of red bricks and curves through a green lawn. In the background, there is a tall monument with a statue on top, surrounded by trees and a building. The sky is overcast.

Economic development is increasingly a competition over *placemaking*.

Leveraging what you've got.

Public spaces. Legacy buildings. Natural features. Historic resources.

Walkability.



Building a great place to live, work, and play IS
an economic development strategy.

Thank you



Christopher Zimmerman



Smart Growth America
Making Neighborhoods Great Together